News from U.S. Rep. John Spratt (D-SC)

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Monday, December 06, 2004 – For Immediate Release
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Spratt Statement on Currency Manipulation by China

WASHINGTON – U.S. Rep. John Spratt (D-SC) today issued the following statement in conjunction with the release of a new paper, "Currency Manipulation and Free Trade," written by University of Maryland Professor Peter Morici and sponsored by Nucor Corporation. A copy of the paper is attached to this email.

"Since 1995, China has pegged its currency (the yuan) to the dollar at a level far below market value. In effect, Chinese exports to the U.S. are cheaper and U.S. exports to China are more costly. The result is a U.S. trade deficit with China that will be at least $150 billion this year, and a deficit with the rest of the world that will total $600 billion, up 66% since 2001. This mammoth trade deficit means the loss of American jobs by the thousands.

"This hits home because South Carolina has lost the highest percentage of manufacturing jobs in the nation, followed by North Carolina, Mississippi, and Georgia. If the U.S. does not level the playing field for American manufacturing firms, we are going to lose the best jobs in our economy, and with those losses, the ability and capacity to make all kinds of manufactured goods.

"China intervenes in world currency markets to maintain an exchange rate of 8.28 yuan to the dollar. In 2004 alone, China has officially intervened to buy $134 billion in dollars at 8.24 yuan to the dollar. The dollar has declined in exchange value against the euro and yen, but held fast against the yuan as well as currencies in other Asian countries which have no choice but to follow China. Dr. Peter Morici of the University of Maryland estimates that China's currency manipulation amounts to an export subsidy equal to 21% of its exports and 9% of its Gross Domestic Product. Other result of China's currency manipulation is an increased trade deficit and the loss of 2.6 million jobs.

"If the Bush Administration wants to level the playing field, and gain American jobs, it should use every remedy at its disposal to stop China from manipulating its currency. I have one remedy to offer the president. I have introduced a bill that directs the Secretary of the Treasury to raise tariffs on Chinese imports to 27.5 percent if, after a 180-day warning period, China does not float its currency and allow the market to set its value.

“In his study, Dr. Morici finds that that if China and other Asian countries phased out currency market intervention, the U.S. trade deficit would be cut in half, our GDP would increase by $500 billion, and employment would expand by as many as 5 million new jobs. The U.S. Trade Representative should give up all his globe-trotting in pursuit of free trade deals and spend his energy on correction of this distortion, which flouts the rules of free trade.”

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